

TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Rates for 2002-03
Employer Contribution Rate for Elected
Officials of Employee Organizations (Revised)

ITEM NUMBER: 4b

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: May 2, 2002

INFORMATION:

PRESENTER: Rick Reed

SUMMARY

The "Employer Contribution Rate for Elected Officials" is used to charge the employer for service credit granted to a member for an approved leave of absence to serve as an elected official of an employee organization. The maximum amount of service credit that may be granted for service as an elected official of an employee organization is 12 years. In 2000-2001, approximately 10 individuals were credited with service under this program.

During the leave of absence, the member contributes the amount that would have been contributed if he or she had continued to perform service in the position on a full-time basis. The employer contributes an amount based upon the salary that the member would have been paid if employed full-time. During the leave of absence, the employer contributes at the Employer Contribution Rate for Elected Officials, as specified by the Teachers' Retirement Board (Board) under the provisions of Section 22711 of the Education Code.

Subsequent to the June 30, 1981 actuarial valuation, the Board adopted a policy of 40-year funding. The actuarial valuation as of June 30, 1991, reflected a reduction from 40 years in the estimated number of years required to amortize the unfunded actuarial obligation due to passage of the Elder Full Funding Act. In recognition of this reduced funding period, staff recommended that the Board revise the policy to base the Employer Contribution Rate for Elected Officials of Employee Organizations upon the Total Cost Rate, as identified in the most recent actuarial valuation, minus the member contribution rate. This method coincided with the method used in previous years, and produced a corresponding contribution rate.

At the July 8, 1999 Benefits and Services Committee meeting, the Board adopted the staff recommendation to adopt a policy to establish the Employer Contribution Rate for Elected Officials of Employee Organizations as the greater of (a) the Total Cost Rate, as identified in the most recent actuarial valuation, minus the member contribution rate, or, (b) the employer contribution rate for creditable compensation specified in Sections 22950 and 22951 of the Education Code.

At the May 3, 2001 Benefits and Services Committee meeting the Board adopted the staff recommendation to adopt a policy to establish the Employer Contribution Rate for Elected

Officials of Employee Organizations as the greater of (a) the Total Cost Rate, as identified in the most recent actuarial valuation, and increased to include any subsequently required contribution rates designated for funding subsequent allowance increases, minus the member contribution, (b) the Normal Cost Rate, as identified in the most recent actuarial valuation and increased to include any subsequently required contribution rates designated for funding subsequent allowance increases, minus the member contribution rate, or (c) the employer contribution rate for creditable compensation specified in Sections 22950 and 22951 of the Education Code.

A subsequent review of the Education Code identified an ambiguity between Section 22711 and Section 44987, which is not in the Teachers' Retirement Law, but still governs the administration of the Defined Benefit Program. In order to reconcile these two sections in a harmonious manner, the policy upon which to base the Employer Contribution Rate for Elected Officials of Employee Organizations would have to be changed to base the rate on the Contribution Rate for Additional Service Credit, minus the member's contribution rate.

The Actuarial Valuation of the California State Teachers' Retirement System Defined Benefit Program as of June 30, 2001 is to be presented to the Board at the May 2002 Regular Meeting following the Benefits and Services Committee Meeting. Based on the valuation, staff are recommending that the Contribution Rate for Additional Service Credit, which is based on the Normal Cost, be 16.497 percent in 2002-03. Subtracting the 8 percent member contribution rate would result in an Employer Contribution Rate for Elected Officials of Employee Organizations of 8.497 percent for 2002-03. This will result in an increase from the rate of 8.423 percent adopted for the 2001-02 fiscal year.

RECOMMENDATION

Staff recommends that the Benefits and Services Committee recommend to the Board that the Board adopt a policy that bases the Employer Contribution Rate for Elected Officials of Employee Organizations on the Contribution Rate for Additional Service Credit, minus the member's contribution rate, and that the Employer Contribution Rate for Elected Officials of Employee Organizations be 8.497 percent for the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

PROPOSED
RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Policy to Establish Employer
Contribution Rate for Elected Officials
for the 2002-2003 Year

RESOLUTION NO. _____

WHEREAS, the Teachers' Retirement Law requires that the Teachers' Retirement Board adopt the Employer Contribution Rate for Elected Officials of Employee Organizations, and

WHEREAS, Sections 22971 and 44987 require the employer to contribute at a rate determined by Board equal to the Contribution Rate for Additional Service Credit, less the member's contribution, and

WHEREAS, the Contribution Rate for Additional Service Credit is equal to Normal Cost Rate, based on the latest adopted actuarial valuation, and

WHEREAS, based on the June 30, 2001 Actuarial Valuation, the Normal Cost Rate minus the member contribution rate is equal to 8.497 percent of payroll for the current benefit program; be it

RESOLVED that the Benefits and Services Committee recommend that the Teachers' Retirement Board adopt (1) a policy that bases the Employer Contribution Rate for Elected Officials of Employee Organizations on the Contribution Rate for Additional Service Credit, minus the member's contribution rate, and (2) the Employer Contribution Rate of 8.497 percent for compensated leaves of absence for service as Elected Officials of Employee Organizations during the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

Adopted by:
Benefits and Services Committee

Ratified by:

Teachers' Retirement Board

on May 2, 2002

JACK EHNES
Chief Executive Officer